



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105

June 6, 1996

All Parties to the  
Second Partial Consent Decree

See Attached Mailing List

Re: San Fernando Valley Area 1 (North Hollywood), North  
Hollywood Operable Unit, Second Partial Consent Decree.

Dear Counsel:

I am pleased to enclose for execution by your respective clients the Second Partial Consent Decree in this action, which will resolve the litigation between the United States and the State of California Department of Toxic Substances Control ("DTSC"), and the settling defendants. As discussed during various negotiations, the Second Partial Consent Decree is identical to the first Consent Decree in all material respects. The following changes to the first Consent Decree have been made for the sake of accuracy or for reasons specific to the details of the settlements expressed in this decree:

Cover Page: Title of document is Second Partial Consent Decree.

1:12: "prior to, or concurrently with," has been changed to "prior to"

5:10 (5:11 in lodged decree): "is currently preparing" has been changed to "has begun preparing"

8:24 (8:22 in lodged decree): definition of Consent Decree has been revised to clarify that this is the Second Partial Consent Decree

10:19: Affiliates of Settling Defendants, if any, remain to be identified

10:28: Definition of Settling Defendants has been revised to name current settlors including third party defendants who intend to execute the consent decree

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12:14 (13:14 in lodged decree): Title of Section V has been changed

15:14: Payment Schedule has been revised to name current payor-settlors

16:24: paragraph G added to reflect certain obligations of AlliedSignal, Inc.

17:10: Section VI, Covenants Not to Sue has been revised to reflect specifics of this settlement

20:17: Information and Conditions Known to Plaintiffs -- the date(s) in this section have been changed to May 23, 1996, and reference has been added to information provided in discovery

24:22 (25:23 in lodged decree): Section VII, Contribution Protection, Paragraph C, Definition of Matters Addressed. 2nd sentence deleted because it was specific to first Consent Decree party Calmat Co.

A separate signature page is enclosed for each party. Please have your clients execute the signature page, and return the original of the executed signature page to me. If your clients wish to include any "Releasees" in the decree, please include with the executed signature page a letter naming the Releasees and describing their relationship to your clients. Parties designated as "Releasees" may include predecessor corporate entities, a/k/a parties, and the like. They may not include corporate parents or shareholders. The latter parties must execute the consent decree if they wish to be included in it.

As you will have noted from your review of the first Consent Decree, a special account is to be created so that certain of the moneys collected in these settlements can be devoted to this site. Under EPA guidance, past response costs must be sent to the Superfund, but future response costs may be deposited in a special account. Accordingly, we have calculated for each party the amount which constitutes past and future response costs.

This amount is calculated as follows: The base settlement amount in this case is \$ 13 million (constituted of \$ 10 million in past and estimated future site-specific response costs, and \$ 3 million in past basin-wide costs calculated through April 30, 1992). Past basin-wide response costs by definition are past response costs. In addition, at the time EPA commenced this action, EPA had incurred approximately \$ 5 million in past response costs, and estimated incurring \$ 5 million additional

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response costs to complete the operable unit work. These amounts formed the basis of the original settlement and of EPA's settlement negotiations with the current settlors.

Therefore, for purposes of creating the site-specific account, EPA has designated past basin-wide and \$ 5 million of site-specific costs as past response costs, and \$ 5 million as future response costs. Individual parties will be directed to remit their payments according to a formula based on these designations.

For example, assume a party agreed to pay \$ 1 million. That amount is .0769% of \$ 13,000,000. The amount of past basin-wide costs being paid by that party is \$ 230,769, which is .076% of \$ 3,000,000. After deducting that amount from the total the party is paying, ( $\$ 1,000,000 - \$ 230,769 = \$ 769,231$ ), one half of the remainder ( $\$ 769,231 / 2 = \$ 384,615.50$ ) is designated as past response costs, and one half of the remainder is designated as future response costs. Thus, this party will be directed to remit \$ 384,615.50 to the site-specific account to be created for this site, and \$ 615,384.50 ( $\$ 384,615.50 + \$ 230,769$ ) to the Superfund.

We will provide each of you with specific instructions for remittance to the different accounts upon your execution of the consent decree. The only (we hope minor) inconvenience to your clients will be in the necessity to write two separate checks. We hope you and your clients understand and agree that it is necessary to ensure that funds are directed towards the site for which they are intended whenever possible.

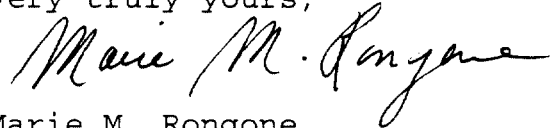
Finally, we are requesting that you ask your clients to expedite the execution process, and return their signature pages to us within three weeks of receipt of this letter (which for housekeeping purposes, I will assume is three days after the date of this letter). We are certain that the Court will want to see this matter concluded as soon as possible, and there are no issues remaining between the parties which would justify delay.

It is inevitable that someone among you will want to voice a comment on a wordsmithing issue or the like. If you wish to do so, please forward your client's signature page, with the comment(s), and copy the comments to all parties on the attached service list.

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Please do not hesitate to call if you have any questions or need further information at this time. Once again, the United States and DTSC thank all parties for their cooperation in resolving this matter.

Very truly yours,

A handwritten signature in cursive script, reading "Marie M. Rongone".

Marie M. Rongone  
Assistant Regional Counsel

cc: David B. Glazer, Esq.  
Ann Rushton, Esq.  
David A. Seter

Service List  
Second Partial Consent Decree

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Gene Lucero  
Michelle Carroll  
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Holleb & Coff  
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